# AMF HOUSEHOLD SAVINGS NEWSLETTER

AUTORITÉ DES MARCHÉS FINANCIERS
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## EDITORIAL

### Quality of relationships between legal representatives and financial institutions

In its role as a guardian for investors, the AMF is particularly protective of the savings of vulnerable members of society such as the elderly and protected adults. This latter group make up a specific customer base that requires particular handling by financial institutions.

As part of their joint work, the AMF and the French Prudential Supervisory Authority (ACPR) have made protecting these people one of their priorities. Together, they have conducted a survey to get a better understanding of the quality of the relationships that exist between the legal representatives of the protected adults, the protected persons themselves and their financial service providers (mainly banks and insurers).

This survey has thrown up several interesting aspects, thanks to high participation among non-profit networks and financial service providers.

All the participants said they had a satisfactory relationship with their banks, and none identified any serious problems. However, it would appear that certain specific needs are not being taken sufficiently into account, which means there is room for improvement. The legal representatives would like a specialist contact at the financial institutions who is more familiar with the legislative framework that governs legal protection, as well as offers that are more tailored to protected individuals.

The survey highlights the risk of direct marketing to these individuals and also points out that the digitisation of financial services risks leaving an ageing population behind. The AMF and ACPR are calling for legal representatives and financial institutions to work together to anticipate and develop solutions for this market. ■

## FOCUS

### Direct shareholders now older

#### The trend of shares being held by older, wealthier people has been growing since 2008[1].

Since 2008, the individuals who say they have invested directly in shares have got older on average. In 2008, 47% of direct shareholders were aged 55 or above and 32% were under 45 years of age. In March 2017, these figures had changed to 57% and 24% respectively.

The proportion of direct shareholders who are men has increased from 60% to 66% since 2008. Direct shareholders are also increasingly wealthy, with 40% of them earning over €4,000 per month (compared with 23% in 2008).

#### Direct shareholding in March 2017

The percentage of individuals who say they are direct shareholders (7.6% of the total population) is higher among older and wealthier people.

The figure is 11-13% for the over 55s and 16-25% among those with monthly household income of more than €4,000. ■

**Chart 1 : Direct shareholding rate**

| Age | Rate |
|---|---|
| Under 25 | 3.0% |
| 25-34 | 3.0% |
| 35-44 | 5.8% |
| 45-54 | 8.7% |
| 55-64 | 11.2% |
| 65-74 | 12.8% |
| Over 75 | 13.3% |

| Monthly house-hold | Rate |
|---|---|
| €1,300 or less | 2.3% |
| €1,301-2,100 | 4.1% |
| €2,101-3,000 | 6.2% |
| €3,001-4,000 | 9.5% |
| €4,001-6,000 | 15.9% |
| Over €6,000 | 24.8% |

*Source: Kantar TNS, SoFia, March 2017*

*1. These observations are based on Kantar TNS's SoFia survey of 12,000 French people aged 15 and over*

# Relationships between legal representatives and financial institutions

## Protected adults make up a specific customer base. What do legal representatives make of banking and insurance practice? How can things be improved ?

In order to get a better understanding of the nature and quality of relationships between the legal representatives of protected adults (MJPMs), the protected persons themselves and their financial service providers (mainly banks and insurers), the AMF and ACPR sent out a joint questionnaire to the representatives of the biggest guardians' associations and the major banks. The questions focused on usage and awareness of financial services, the relationships between customers and service providers, problem areas and good practice, and more specific topics such as direct marketing and long-term care insurance.

### Relationships deemed satisfactory

The healthy mutual relationships between financial institutions and legal representatives should be highlighted. On average, banks had a satisfaction rate of 78% from legal representatives. From their standpoint, the banks did not identify any major problems in their dealings with protected individuals or their representatives.

Almost without exception, today's large financial institutions have a structure consisting of several specialist units that is able to fulfil most of the needs of protected individuals and their representatives.

This level of satisfaction does not mean, however, that there is no scope for improvement. Representatives feel that they and their protected individuals should always be able to contact a dedicated member of staff who is trained in the complex and often practically case-specific set of rules that govern legal protection. They also want to see improvements in remote management tools enabling them to manage the protected individuals' bank accounts more efficiently.

Banks tend to include protected persons in their individual account management policy, whilst making provision for operating methods that are tailored to protective measures. They may accept changes to their procedures in the interests of protection. Some institutions partially adjust their fee structure to account for the difficulties faced by protected individuals, for example by reissuing forgotten PINs or lost payment cards free of charge.


As part of their joint work, the ACPR and AMF have made protecting vulnerable people one of their priorities

With this in mind, the two authorities wanted to get a better feel for the relationships that protected individuals and their representatives enjoy with their financial institutions and how these institutions organise themselves to meet the needs of these people, for any difficulties encountered by protected individuals and their representatives, and for good practice that exists in the industry.

The anonymous online survey was sent out to the legal representatives of four major national associations (CNAPE, FNAT, UNAF and UNAPEI) in the final quarter of 2016. Responses were received from 289 representatives, who represented more than 150,000 of the 350,000 protective measures. The 11 main banking institutions, for their part, were consulted on the key feedback from the legal representatives in March 2017.■

### Specific requirements taken into account

Most of the time, protected individuals are not covered in financial institutions' general sales policies. The banks and insurers have identified that these people have specific needs such as simplicity, proximity and security, and that they should not be stigmatised.

Some banks provide protected adults with adapted payment means such as PIN-less debit cards and credit and debt cards that can be topped up by the legal representative.

## Improvements sought by the representatives

Guardians still feel as though their contacts are not sufficiently familiar with the legislative framework that governs legal protection. They also bemoan the following:

- limited service access for protected individuals;
- failure to respect confidentiality;
- usage restrictions (access to the counter in branches, access to cash machines, etc.);
- the risks associated with direct marketing.

The vast majority of legal representatives would like a specialist contact within the banks (81%) and insurance firms (77%), as well as offers that are better tailored towards protected individuals (70% in banks and 67% in insurance firms).

## The issue of direct marketing

Direct marketing to protected individuals is an area that the legal representatives are keeping a close eye on: 75% of them believe that protected individuals are subjected to direct selling methods in banking.

66% in insurance, 30% in regulated financial instruments and 31% in miscellaneous assets promising a return.
And yet, most of the institutions say they do not engage in direct selling themselves, or via their specialist subsidiaries, towards protected individuals or their representatives. Representatives are always instinctively wary of any product proposed via direct marketing (78% believe these products are risky).

Nine per cent of them do not think that the practice of banks offering commercial incentives to representatives for taking out products on behalf of their protected individuals has completely disappeared. Such a practice may put the representatives in breach of regulations and make the institutions complicit.

### Survey responses about banks

The representatives enjoy a good relationship with the banks or their intermediaries.

On average, 34% said they were very satisfied, 44% fairly satisfied, 14% not satisfied and 8% totally dissatisfied.

82% felt the bank had adapted its internal procedures to cater for protected individuals. 81% said the bank had made a specific product or information service available.

Only 26% of legal representatives said they had good knowledge of securities. This figure rose to 93% for bank deposits and 56% for life insurance. Six per cent said they often used securities as part of their job (57% for bank deposits and 15% for life insurance). ■

### Responses from banks

The overall level of satisfaction is shared by the banks, which feel that, although some difficulties exist, there are no problems with the legal representatives themselves provided their requests are compatible with the protection regime and the banks' regulatory requirements. Generally speaking, the banks claim that they identify customers who are protected adults and exclude them from any direct marketing campaign. The banks tend to acknowledge that there are restrictions to the use of certain services, but argue that these can sometimes be justified. Some banks, however, have introduced training programmes for staff who work in units dedicated to managing the relationship with protected adults or their representatives. ■

## Is digitisation the only answer ?

The overall situation may be satisfactory at the moment, but this survey has still managed to shed light on a few likely stumbling blocks in how banks and insurers treat the protected-adult customers.

LIndeed, amid an overall environment of fewer cash transactions and bank branches, all institutions are planning to integrate their relationships with protected persons into increasingly digitised processes.

It is likely, however, that such an approach will not be sufficient to meet the primary needs of this particular customer base: proximity, simplicity and security. A large portion of these protected individuals may find themselves excluded from banking because they are unable to use the services associated with their account.

With the population of France ageing rapidly, this is a key question for all financial service operators. ■

## Sharp fall in household savings rate in 2015 and 2016

**The savings rate has dropped in the last two years to 13.9%, its lowest level since 1990.**

This reduction (0.5 percentage points in 2015 and 0.4 in 2016) is the result of household income growing more slowly than household consumption. Income from financial assets has dropped in particular (-6.5% for income from life insurance investments).

The financial savings rate, which excludes the increasing loan repayments on new home purchases, fell from 5.4% in 2014 to 4.6% in 2016. ■

*Source : French economy - Accounts and files - Insee References, July 2017*

## Preference for risk-free investments remains

**In the first half of 2017, French people continued to put their savings into risk-free products.**

Continuing to prioritise liquid, guaranteed savings, they kept most of their money in current or passbook accounts. Over 35 billion additional euros have been saved in the form of cash.

The only non-guaranteed investment product to gain ground was unit-linked life insurance, which saw inflows of around €8 billion.

At the same time, the French have reduced their investments in capital-guaranteed life insurance and continued, at least in the first quarter of 2017, to cut back their investments in shares, funds and SICAVs. ■

*Source: Household assets and savings, Banque de France, August 2017.*

## Unit-linked life insurance gains ground

**In life insurance in 2017, payments into euro-denominated funds have fallen, but payments into unit-linked products have increased.**

During the first seven months of the year, total payments into life insurance policies dropped by around 5% year on year.

However, payments into unit-linked life insurance products were up by 18% over the same period and now account for 27% of total life insurance payments (20% in 2016).

Taking withdrawals (payouts) into account, net inflows to unit-linked products were five times higher between January and July 2017 than those to euro-denominated funds (€10.5 billion versus €2 billion). ■

*Source: French Insurance Federation (FFA), September 2017*

## Financial confidence rate drops to 35%

**The share of French people who are confident about their financial future has plummeted in the last two years.**

The figure fell from 47% in 2015 to just 35% in 2017, according to a survey carried out at the beginning of the year. Men are more confident than women (41% versus 29%) and the 25-44 age bracket is more confident than the 45-64 group (38% versus 30%).

The main concern for those under 45 is being able to "put money aside" (50%). "Saving for retirement" came next. For those aged 55 and over, the primary aim is to "protect their assets" (50%). ■

*Source: 1,000 French people surveyed in February 2017, BlackRock Global Investor Pulse, March 2017*

## Half of French people have only guaranteed savings and investments

**Some 52% of French people say they only have guaranteed savings, while 33% have both investment products and guaranteed savings.**

In all, 85% say they have at least one investment. Of these, 33% also have an investment product. According to the survey, 16% of French people are shareholders and 11% say they have no investments whatsoever.

Some 45% say they have started to save for their retirement. Of these, 19% believe the best way of doing this is to put their money into cash (current accounts) and 26% prefer passbook accounts. Only 3% feel the best solution for retirement savings is to invest in shares. ■

*Source: 1,000 French people surveyed in February 2017, BlackRock Global Investor Pulse, March 2017*

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